



Moab Salt, Inc.

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Mue file
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September 7, 1989

Salt and Potash Production
(801) 259-7171

Mr. Lowell Braxton, Associate Director
Division of Oil, Gas and Mining
Department of Natural Resources
State of Utah
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3 Triad Center, Suite 350
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DIVISION OF
OIL, GAS & MINING

and

Board of Oil, Gas and Mining
State of Utah
355 West North Temple
3 Triad Center
Salt Lake City, Utah 84180-1203

Re: DOGM Tentative Approval, Notice of
Intention to Commence Large Mining
Operations, Cane Creek Mine, Moab
Salt, Inc., M/019/005, Grand County,
Utah

Your letter of July 11, 1989 to Moab Salt, Inc. advised that DOGM had completed its review of the June 7, 1989 resubmittal of the Notice of Intention to Commence Large Mining Operations and Reclamation Plan ("Plan") and advised that it was tentatively approved. The tentative approval letter also informed Moab Salt, Inc. that final approval would be forthcoming upon, among other things, a concurrence by the Board of Oil, Gas and Mining of the sufficiency of the form and amount of reclamation surety. Since the Tentative Approval Letter, DOGM and Moab Salt, Inc. have continued efforts to resolve any other requirements for final approval. Moab Salt, Inc.'s response letter of August 17, 1989 dealt with those matters.

Moab Salt, Inc. hereby requests an opportunity to appear before the Board at its preliminary briefing session and, if necessary, the hearing scheduled for September 28, 1989, to respond to any questions and discuss the bonding proposal described below.

Moab Salt, Inc.'s file reflects agreement with DOGM on a total reclamation cost estimate, computed in 1994 dollars, of \$9,700,000. The conceptual reclamation plan total cost estimate

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is described in Table 14.4 on Page 14-17 of the Reclamation Plan, revised as of June 30, 1989. This estimate is the result of careful and extensive analysis of the reclamation requirements and cooperation between the staffs of DOGM and Moab Salt, Inc. over a considerable period of time.

Pertinent bonds presently in effect for the operations at Cane Creek Mine are the following:

(a) Corporate Surety Bond No. [REDACTED], dated July 22, 1977 by Texasgulf Inc. as Principal, and St. Paul Fire and Marine Insurance Company, as Surety, to the State of Utah pertaining to Utah State Potash Leases in the sum of \$25,000.

(b) Statewide Mineral Lease Bond No. [REDACTED] dated April 30, 1978 by Texasgulf Inc., as Principal, and St. Paul Fire and Marine Insurance Company, as Surety, to the United States Bureau of Land Management pertaining to Federal Potassium Leases in the sum of \$25,000.

(c) Statewide Mineral Lease Bond No. [REDACTED] dated January 23, 1989 by Moab Salt, Inc., as Principal, and St. Paul Fire and Marine Insurance Company, as Surety, to the United States Bureau of Land Management pertaining to Federal Potassium Leases in the sum of \$25,000.

The current Bonds would apply to reclamation for the surface of the lands covered by State and Federal mineral leases. Not incidentally, the surface of all lands involved in the operation is owned in fee by Moab Salt, Inc.

In accordance with Section 40-8-14 of the Utah Code and DOGM Regulation R613-004-113.4.16., Moab Salt, Inc. proposes that the balance of the surety requirement for the Reclamation Plan be in the form of a self-bond, to be guaranteed by Moab Salt, Inc.'s parent corporation, Texasgulf Inc. ("Tg").

The Cane Creek Mine facility is an existing potash/salt mining operation near Moab, Utah. Tg constructed the mill and underground mine at the facility in 1962 and 1963 and potash production began in 1965. Due to undulations in the ore body, Tg converted the underground mine to a solution mine in 1970 and the first crystals were harvested from the solar evaporation ponds in 1972. In 1988, Tg transferred the assets of the Cane Creek Mine facility to a newly formed subsidiary corporation, Moab Salt, Inc. Tg estimates that the Cane Creek facility will be able to continue to mine and process salt and potash for approximately 100 years.

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Tg submitted its "Notice of Intention to Commence Mining" (MR-1) in June of 1977 in compliance with the Utah Mined Lands Reclamation Act. Numerous MR-1's for existing and proposed facilities of other operators were also filed with DOGM during the summer of 1977 in compliance with the statute. No response was received by Tg to its filing. In early 1983, Tg inquired about the 1977 Notice of Intention which had been filed with DOGM and this inquiry generated numerous meetings and discussions intended to familiarize DOGM's staff members with the Cane Creek facility. In January, 1986, Tg received DOGM's comments on the 1977 Notice of Intention which noted several deficiencies. DOGM requested that Tg resubmit the Notice of Intention on a new MR-1 Form created under the existing regulations and address the deficiency comments in that manner. Complete resubmittal of the MR-1 Form required extensive work and DOGM was very patient in allowing Tg the time necessary to prepare the resubmitted MR-1 as it is a considerably more comprehensive document than the original.

The resubmitted MR-1 was filed with DOGM in August of 1987 and, since that date, has undergone changes as a result of continued review and dialogue between DOGM, the Bureau of Water Pollution Control and Tg/Moab Salt, Inc. staff. The last revisions to the Plan bear a June 30, 1989 date.

The MR-1 describes a mining facility that is unique in that no new disturbances are planned and all areas of surface already disturbed are essential to the continuation of mine operations until the operation ceases. As a result, the MR-1 is divided into two parts: Sections 1 through 22 describe the current operation and Sections 22 through 28 describe the reclamation procedures to be applied when the mining operation ceases. Thus, Sections 1 through 22 are viewed as a mining plan and the remaining sections as the reclamation plan.

Moab Salt's proposal for bonding is founded upon the following:

(a) Moab Salt, Inc. is a subsidiary of Texasgulf Inc. Because Moab Salt, Inc. has not existed as an entity for more than five years (see DOGM Self-Bonding Criteria Requirement), the parent corporation, Texasgulf Inc., has agreed to guarantee the performance of the reclamation obligations and the surety undertaking. Enclosed is completed DOGM Form of Self-Bonding Qualification Sheet which reflects the pertinent financial data

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of Texasgulf Inc. at December 31, 1988. The undeniable financial strength of Texasgulf Inc. to perform the obligations of Moab Salt, Inc. called for by the Mined Land Reclamation Act, the regulations and the Reclamation Plan for the Cane Creek Mine facilities is far in excess of DOGM's criteria for self-bonding.

(b) As stated previously, the operation has been in existence since 1962. Texasgulf Inc. and its successor, Moab Salt, Inc., have responsibly performed their contractual obligations as Utah citizens in operation of the Cane Creek Mine facility.

(c) The presence within this state of the continuing mining operation and its extensive assets fully support the commitment of the operator to the Cane Creek Mine operation, to the Moab Salt, Inc. employees, to the nearby community of Moab, Utah, to Grand County, Utah and to the State of Utah.

(d) As stated in the resubmitted MR-1 document, the extensive facilities at the Cane Creek Mine are available to perform the planned reclamation work with such additional facilities and equipment as may be required.

In conclusion, all factors fully support and warrant the approval of the self-bonding proposal. The operator, Moab Salt, Inc. and its guarantor, Texasgulf Inc., are entitled to evaluation for self-bonding on the merits of their credibility and capability and not in comparison with any other operator. The statute and the regulations fully contemplate approval of self-bonding in such circumstances.

Sincerely,

E. K. York

E. K. York
General Manager

EKY/mp
Enclosure